

**COUNCIL OF MINISTERS**

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**SINGLE NATIONAL STRATEGY  
FOR  
IMPROVING THE TAX COLLECTION,  
TACKLING THE SHADOW ECONOMY AND  
REDUCING THE COMPLIANCE COSTS**

**2015 - 2017**

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## ABBREVIATIONS USED<sup>1</sup>

<b>SNS or the Strategy</b>	- Single National Strategy for improving the tax collection, tackling the shadow economy and reducing the compliance costs
<b>EU</b>	- European Union
<b>NSI</b>	- National Statistical Institute of the Republic of Bulgaria
<b>GDP</b>	- Gross Domestic Product
<b>Bulgaria or the country</b>	- The Republic of Bulgaria
<b>TSIPC</b>	- Tax and Social Insurance Procedure Code
<b>PIC</b>	- Personal Identification Code
<b>NRA</b>	- National Revenue Agency
<b>CITA</b>	- Corporate Income Tax Act
<b>PITA</b>	- Personal Income Tax Act
<b>MD</b>	- Decision of the Council of Ministers of the Republic of Bulgaria (Ministerial Decision)
<b>MF</b>	- Ministry of Finance
<b>CA</b>	- Customs Agency
<b>BE CIS</b>	- Bulgarian Excise Centralised Information System
<b>FCIS</b>	- Fuel Control Information System
<b>EDTWA</b>	- Excise Duties and Tax Warehouses Act
<b>VATA</b>	- Value Added Tax Act
<b>VAT</b>	- Value Added Tax
<b>MAF</b>	- Ministry of Agriculture and Food
<b>MoI</b>	- Ministry of Interior
<b>SANS</b>	- State Agency for National Security
<b>AA or AR</b>	- Amending Act / Rules
<b>LCPA</b>	- Limitation of Cash Payments Act
<b>POS Terminal</b>	- Engl., Point Of Sale, abbreviation POS, electronic terminal accepting bank cards for initiation and authorisation of payment transactions
<b>MLSP</b>	- Ministry of Labour and Social Policy
<b>GLI or GLI EA</b>	- General Labour Inspectorate Executive Agency
<b>NSSI</b>	- National Social Security Institute
<b>EA</b>	- Employment Agency
<b>HSW</b>	- Health and Safety at Work
<b>LC</b>	- Labour Code
<b>SIC</b>	- Social Insurance Code
<b>PRB or the Prosecutor's Office</b>	- The Prosecutor's Office of the Republic of Bulgaria
<b>SF</b>	- State Fund
<b>PSI</b>	- Public Social Insurance

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<sup>1</sup> The abbreviations used in the Strategy and in the Action Plan are given by order of appearance in the text of the document.

## **SUMMARY**

Within the European Semester, Bulgaria has been given three consecutive country-specific recommendations in the field of taxation since 2012. They identify two main challenges – high tax compliance costs and absence of a comprehensive and wide-ranging tax compliance strategy.

With this Strategy the Government fulfils the commitment for preparing and approving a single strategic document laid down in the 2015 National Reform Programme.

The main purpose of the Strategy is to contribute to better compliance, to protect country's fiscal stability and to ensure equality and competitiveness of all economic operators by identification of measures and implementation of activities which will result in increased revenues from taxes, social insurance payments and fees through more effective administration thereof, precluding the possibilities of evasion and encouraging voluntary compliance. The measures included in the Strategy further interinstitutional coordination and cooperation and strengthen the risk assessment, the audit and the IT capacity of the administration.

SNS 2015 - 2017 is based on strategies, programmes and measures from different areas relevant to the objectives set out in the Strategy. Therefore, different state institutions were involved in the preparation of the document and have commitments for the implementation of the measures laid down therein.

The priority areas discussed in the Strategy and containing the activities for attainment of the objectives are grouped into several parts, namely:

1. Improving the tax collection;
2. Tackling the shadow economy;
3. Reducing the compliance costs.

A system of monitoring and evaluation indicators has been developed for the attainment and implementation of the objectives, measures and activities laid down in SNS 2015 - 2017. It will contribute to transparent application and implementation of the Strategy.

The Action Plan attached to the Strategy contains measures and actions which integrate all aspects of the objectives set and represent a single measure for creating an integrated joint institutional approach for improving the tax collection, limiting the share of the shadow economy and reducing the compliance costs.

## INTRODUCTION

The Republic of Bulgaria, as part of the European Union, aims to create and maintain the necessary conditions for the functioning of a smart, sustainable and inclusive economy. The efforts to fulfil these mutually reinforcing priorities of Europe 2020 help the EU and the Member States to achieve high levels of employment, productivity and social cohesion.

The collection of budget revenues is central to the good governance of the country. On the other hand, limiting the activity in the shadow economy and creating a favourable business environment are among the key factors for economic development and growth.

This Strategy defines the actions of the competent national institutions for improving the tax collection, tackling the shadow economy and reducing the compliance costs.

It outlines the tools for attaining the objectives of improving the tax collection, limiting the activity in the shadow economy and reducing tax and social insurance compliance costs for the citizens and the business.

The strategic objectives which the Bulgarian Government has set in order to protect the financial interests, improve the business environment and prevent unfair competition include:

- Limiting the share of the shadow economy;
- Improving tax compliance;
- Increasing revenue collection, including through effective prevention and counteraction of tax frauds and tax evasion;
- Building a common approach for preventing and fighting tax fraud, tax avoidance and tax evasion;
- Creating an environment conducive of doing business, economic growth and development by preventing unfair competition and reducing the compliance costs for the business and the citizens;
- Ultimately achieving a high degree of protection of the financial interests and the competitive environment.

With a view to attaining the strategic objectives, the Action Plan to the Strategy for the period 2015 - 2017 envisages specific measures and activities, implementation deadlines and responsible institutions.

The following approaches have been chosen to deliver the objectives set:

- Applying a single approach for management of the non-compliance risk;
- Legislative approach for improving the tax collection, tackling the shadow economy and reducing the compliance costs;
- Interinstitutional approach for coordination and close operational cooperation of the competent national institutions through improved electronic information exchange and effective sharing and use of information technologies and resources at the national level.

This Strategy covers the period 2015 - 2017. It systematizes the strategic objectives, the measures and activities whose implementation will result in increased budget revenues, limited share of the shadow economy and lower compliance costs.

## PURPOSE

SNS 2015 - 2017 is aimed at development of measures, drawing up a plan for their implementation, sharing responsibilities between the competent institutions and undertaking specific actions, all of them resulting in reduced compliance costs, limited share of the shadow economy and improved tax collection.

The Strategy further aims to analyse and identify measures for achieving progress in the following areas:

1. Compliance of legal obligations by taxable persons;
2. Provision of quality services to the citizens and the business;
3. Organisation of the administration and of interinstitutional cooperation;
4. Simplifying the legislation.

The measures and actions laid down in this Strategy are oriented towards the following results:

- The policy pursued supports the attainment of the objectives set out in the Strategy;
- The citizens and the business understand the legislation and their obligations;
- Quality services and appropriate channels for access thereto are available for the citizens and the business;
- Reducing costs of collection, declaring and payment of taxes, social insurance contributions and fees is a national priority;
- Targeted actions for prevention and counteraction of tax frauds are implemented;
- Those who avoid or misrepresent their tax liabilities are prosecuted by law;
- Sanctions are adequate and are applied in a systematic manner;
- The administration is well-structured and well-managed;
- The systems and procedures in all areas of the administration are well-defined and are effectively used by the trained staff;
- Control activities are properly planned and result-oriented;
- Computer technologies are effectively used in the activities of the administration and are upgraded on a regular basis;
- The administration staff are professionals with high standard of behaviour;
- The administration adapts its organisation and procedures in order to address the challenges posed by the increasing number of clients, the globalisation of trade and capital flows and the Information and communications technology (ICT) revolution.

## STRATEGIC OBJECTIVES

**Strategic objective 1.** Tackling the shadow economy;

**Strategic objective 2.** Improving the tax collection;

**Strategic objective 3.** Reducing the compliance costs.

## **PART 1**

### **TACKLING THE SHADOW ECONOMY**

#### **1. Analysis of the situation**

In the context of Europe 2020 – the EU Strategy for smart, sustainable and inclusive growth, the policies for fighting the shadow economy which fall within the competence of the Member States are included in the guidelines for the economic policies of the Member States. The shadow economy affects the proper functioning of production activities and the quality of the labour force, preventing the growth-oriented economic, social and budgetary policies and jeopardising the efforts for attainment of the ambitious economy and employment targets of Europe 2020.

The objectives for fighting the shadow economy laid down in this Strategy are limited to those actions and measures of the state administration which can have effect on the prerequisites and the indicators of existence of shadow economy and on its impact on the amount of the tax revenues to the state budget. Such prerequisites and indicators include: cash payments, carrying out unregulated activities or undeclared work for consideration, failing to report or reporting sales at lower prices (for example, real estates at their value assessed for taxation purposes), dual accounting.

There are different methods for measuring the shadow economy. The most common one is based on a procedure where the shadow economy is a constant assessed by means of quantifiable causes (illegal activity indicators) or by the method of measuring money in circulation. Other methods include conducting different surveys such as sample surveys of compliance. A kind of a measure of the shadow economy could also be the sudden changes in the social and economic status of citizens and at the macroeconomic level – the identification of atypical trends such as the growth rates of consumption of goods and services, of investments or of the amount of cash in circulation in the context of economic recession, in sharp contrast to the trends in declared incomes.

The studies conducted so far reveal different sizes of the shadow economy in the individual countries, including Bulgaria. According to NSI's estimates, the shadow economy in Bulgaria makes up about 13 % of GDP in 2013. A survey by Prof. Dr. Friedrich Schneider of the shadow economy of 31 European and 5 OECD countries in the period 2003 - 2015<sup>2</sup> shows that the shadow economy decreases in the majority of the 28 EU Member States to an average of 18,3 % of the official GDP in 2014. The analysis of the data for Bulgaria for the period 2003 - 2014 confirms the downward trend in the relative share of the shadow economy as a percentage of the official GDP. The value of the indicator goes down from 35,9 % in 2003 to 31,0 % in 2014 with the exception of the period 2009-2011 when it fluctuates and is 32,5 %, 32,6 % and 32,3 % for the respective years. Despite the decrease, Bulgaria tops the ranking in terms of the size of the shadow economy in 2014 compared to the other EU Member States.

A survey conducted by the World Bank in 2011 registers the relative share of undeclared employment at 13,2 % of the national work force. The World Bank's September 2012 report<sup>3</sup> "In From the Shadow: Integrating Europe's Informal Labour" confirms that Bulgaria has the highest share of shadow economy among the new EU Member States acceded in the period 2004 - 2007. The share of the shadow economy in Bulgaria is 33 % of GDP in 2007, remaining stable till 2012. The country is followed by Romania (29 %), Lithuania (28,5 %) and Estonia (28,2 %). Austria is at the other end of the scale with 7,6 % of GDP.

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<sup>2</sup> Size and Development of the Shadow Economy of 31 European and 5 other OECD Countries from 2003 to 2015: Different Developments, by Friedrich Schneider, January 20, 2015

<sup>3</sup> In from the shadow: integrating Europe's informal labor / Truman Packard, Johannes Koettl, Claudio Montenegro, September 2012

According to Commission's statistics, the share of the shadow economy in Bulgaria is 32 % of GDP in 2012 – the top value among all EU Member States.

The data reported so far call for taking comprehensive measure to address the problems and determine the potential for increasing budget revenues by limiting the extent of the shadow economy sector.

## **2. Problems related to tackling the shadow economy**

Formulating and addressing the problems related to the shadow economy requires a precise definition of the term “shadow economy”. According to one of the most widely-used definitions, the term “shadow economy” includes those economic activities and the income derived thereof that circumvent or avoid government regulation or taxation and control. A prevailing share of the shadow economy is undeclared work which includes the wages that workers and the business do not declare to avoid taxes or labour market regulation. The rest refers to business tax underreporting or evasion by reporting only a portion of the income to reduce tax burden. The shadow economy does not include illegal activities and offences, such as trade in drugs, smuggling, money laundering, embezzlement, etc., as well as the activities of households which do not have to be registered with the state authorities.

The reasons for concealing the shadow economy activities from the government authorities include:

- To avoid income tax, value added tax or other taxes;
- To avoid making social and health insurance payments;
- In order not to have to comply with some statutory labour market standards such as minimum wage, maximum working hours, health and safety at work standards, etc.;
- To avoid compliance with certain administrative obligations.

The main drivers of the informal economic activity include: the tax and social and health insurance burden, the quality of the services offered by the government institutions, and the labour market regulation.

The high extent of the shadow economy at the current tax rates results in lower budget revenues. This in turn decreases the quality and quantity of publicly supplied and provided goods and services and could be a cause for increasing the tax rates for companies and individuals while also lowering the tax morale. Breaking this vicious circle could be an important condition in taking decisions about the amount of public revenues and taxation as a percentage of GDP.

One of the ways to achieve progress in tackling the shadow economy is to combine the high tax morale with a tax system which is in the service of tax payers. This means applying laws in a manner which is fair and equitable for everybody and helping people to understand and fulfil properly their tax obligations. This is not only about the amount of the tax burden but also about providing incentives for specific social groups, for example when people are engaged in additional work or earn additional income.

## **3. Measures and activities designed to attain the strategic objective**

The share of the shadow economy is smaller in countries with fewer laws and regulations combined with a low degree of corruption in the economic system. This in turn ensures good quality of organisation and functioning of legal institutions. However, efforts should be focused primarily on the facilitated and faster legalisation of certain activities in the shadow economy. The measures to that effect are called “pull” measures because their purpose is to pull activities out of the shadow sector into the formal economy instead of putting an end to their existence. There are two main types of measures to limit the activity in the shadow economy:

- Preventive measures which aim to prevent entry into the shadow economy;
- Measures which seek to help the shadow sector actors to migrate to the formal economy.

The measures for tackling the shadow economy set out in the Strategy have been designed with a focus on increasing the share of e-services, decreasing the licensing and registration regimes, limiting corruption practices, conducting media campaigns to enhance the



civic culture of people, precluding the possibilities of avoiding and evading taxes, social and health insurance payments and fees, by implementing more effective compliance control, incentives and sanctions along several major lines of actions:

- Creating conditions for facilitated and more efficient compliance by undertaking through simplifying the administrative procedures;
- Using the electronic and card payment systems to enhance the transparency of transactions;
- Increasing the detection of violations and offenses by more effective control and enhanced effectiveness of existing sanctions;
- Reducing public tolerance for the shadow economy, promoting the rights and obligations of citizens and of the business and increasing the confidence in the public administration and in the policies;
- Introducing regular monitoring reports to evaluate the evolution dynamics and the effectiveness of implemented measures;
- Strengthening interinstitutional cooperation and coordination and the effective information exchange at the national level as well as with the EU Member States and with non-EU countries.

## **PART 2**

### **IMPROVING THE TAX COLLECTION**

#### **1. Analysis of the situation**

Increased tax revenues are a prerequisite for securing the necessary funds to finance costs from the state budget and are a way for lowering the budget deficit and a condition for maintaining economic and financial stability.

The improved collection of revenues is a direct result of the activities to improve services, raise the awareness of the citizens and the business and enhance their compliance culture. Improving the collection of overdue public claims is also a priority.

In that light, ongoing operational monitoring of taxable persons is carried out by identifying collection activities and applying a selective approach to debtors based on the level of the risk with regard to the collection of the liability and their behaviour towards compliance of obligations for registration, declaration and tax payments, social and health insurance and other public claim.

The intensity of the measures for encouraging voluntary compliance has increased notably in recent years through application of the so-called “soft methods” – notifications, letters of reminder, explaining the possibilities for securing and repaying the liabilities of individuals with temporary financial difficulties, agreeing commitments to the administration, etc. Such measures are aimed at ensuring real proceeds, provoking a pro-active behaviour of individuals with a view to paying their obligations, cutting down administration’s costs for collection of liabilities by decreasing the number of individuals who will be subject to enforcement collection actions.

#### **2. Problems related to tax collection**

Revenue collection depends directly on the complexity of the legislation. The more complex the legislation, the more difficult it is for application by the citizens and the business and, respectively, the higher the risk of non-compliance is.

Compliance is ensured to a large extent by providing adequate services to the citizens and the business. The purpose is to encourage voluntary compliance and to prevent tax, social and health insurance payment and fee evasion and avoidance by making payment thereof as easy

as possible. Such measures are oriented towards those who want to comply but have difficulties in fulfilling their obligations.

Building confidence between the citizens, the business and the administration by offering quality services and promoting voluntary compliance is essential for the implementation of the above measures.

Tax revenues make up the highest share of budget revenues.

One of the most common indicators applied to measure tax compliance, the tax collection level accordingly, is the “tax gap”. It is the difference between the taxes actually paid and the total amount of taxes payable under the existing legislation. The indicator includes 1) taxes not paid as a result of evasion 2) taxes declared but not paid, 3) taxes under-declared and under-paid because tax payers do not understand the legislation and 4) other forms of non-compliance. Precise and up-to-date statistical information for assessment of the potential tax base is required for the calculation of this indicator. The difficulties encountered in procuring this information are also qualified as a potential tax collection problem.

The main causes affecting the collection of revenues, including tax revenues, which should be taken into account when defining the measures under this strategic objective include:

- Inefficient governance;
- Inefficient use of available technologies and information;
- Designing systems and services taking no account of end user needs;
- Underperformance of revenue collection;
- Ineffective coordination between administration;
- Vague priorities;
- Existing corruption practices.

### **3. Measures and activities designed to attain the strategic objective**

The measures for improving the tax collection have been design with a main focus on improving compliance, preventing and counteracting tax frauds and tax evasion, and include legislative and administrative measures as well as interinstitutional cooperation, coordination and effective information exchange measures. It should be noted that the measures and the activities under the other strategic objectives – tackling the shadow economy and reducing compliance costs, also have increased proceeds from budget revenues as an objective and an expected result.

The measures for attaining the strategic objective should be focused primarily on:

- Providing a clear and accurate regulatory framework;
- Improving the quality of administrative services;
- Effective use of resources relative to risk levels;
- Enhancing the quality of the control activity;
- Improving the collection of overdue public claims;
- Optimizing the provisions on administrative sanctions and penalties;
- Improving the processes of extinguishment of public liabilities.

Simultaneously with the above measures coordinated interinstitutional actions should be included to ensure:

- Effective prevention and counteraction of tax fraud and tax evasion;
- Improving the effectiveness of detection and stopping of tax frauds and of tax evasion schemes;
- Enhanced effectiveness of administrative and criminal proceedings;
- Establishing a common approach for preventing and combating tax frauds and tax evasion;
- Improving the capacity for control actions which are based on risk assessment and are supported by effective and efficient information systems.

Finding the appropriate forms and tools for joint actions is important considering the nature of financial crimes where the same activity can be in violation of different laws. In this

context, the government institutions and bodies are involved in the different phases of preventing and fighting financial crimes, including in the prevention, detection, investigation and prosecution of crimes, as well as in the confiscation of proceeds of crime.

Interinstitutional cooperation can improve the financial integrity and the effectiveness of the fight against financial crimes, including where such crimes go beyond national borders.

Information exchange is the main method of interinstitutional cooperation because the different information flows are essential for the effective operation of the competent authorities engaged in counteracting financial frauds. There is a need of an appropriate legal framework conducive of interinstitutional information flow which is the main form of cooperation. In the course of their activity, the different government authorities gather and hold information about individuals, undertakings and transactions which can be directly relevant to the activity of other bodies in the fight against financial crimes. Having in place mechanisms for sharing this information makes it possible to improve the prevention and detection of financial crimes, to conduct investigations in a more effective and efficient manner thereby achieving faster and more successful prosecution and increasing the chances for collecting tax revenues and other public claims relevant to this activity.

The possible channels for sharing of information are grouped into four major categories:

1. direct access to archives and databases;
2. mandatory sharing of information;
3. spontaneous sharing of information;
4. sharing of information on request.

In addition to sharing of information for the purposes of counteracting financial crimes, other interinstitutional cooperation models which the institutions develop together and which enable them to mutually benefit from their cooperation should also be taken into account when formulating the measures and activities within the Strategy:

- *Joint Investigation Teams (JITs)*

JITs enable institutions and agencies with a common interest to work together in an investigation. In addition to sharing information, this enables investigation teams to exchange experience and good practices and to draw on a wider range of knowledge and skills from the experts on the teams. Joint investigations may avoid duplication arising from parallel investigations, and increase efficiency by enabling officials from each institution or agency to focus on different aspects of the investigation, depending on their experience and legal powers.

- *Inter-agency centres of intelligence*

These are established to centralise processes for operational and strategic information gathering and analysis for a number of institutions and agencies. The centres of intelligence can focus on a specific geographic area or type of activity, or have a wider role in information sharing. These centres conduct analyses based on primary research data as well as information obtained from agencies. In some cases, they access data through channels available to participating institutions and agencies, while in other cases they have specific information gathering powers. By centralising these activities, officials within a centre gain experience of particular legal and practical issues, and specialised systems can be developed, which can increase their effectiveness.

- *Secondment and co-location of personnel*

These are an effective way of enabling skills to be transferred while allowing personnel to build contacts with their counterparts in another institution or agency. Seconded officials share their skill, experience and specialist knowledge while participating directly in the work of the host agency.

- *Other models, such as the use of:*

(1) shared databases; (2) dissemination of strategic intelligence products such as newsletters and intelligence briefs; (3) joint committees to coordinate policy in areas of shared responsibility; (4) interinstitutional meetings and training sessions to share information on

trends in financial crime, guidance on investigative techniques and best practices in managing specific cases.

## **PART 3**

### **REDUCING THE COMPLIANCE COSTS**

#### **1. Analysis of the situation**

Costs of compliance by the business and the citizens include costs for documenting, calculating and paying obligations, issuing permits and licenses, etc.

The amount of these costs is directly dependent on the complexity of provisions, the type, number and frequency of the documents which the persons are required to submit. Costs are calculated as an absolute amount and in terms of time (number of hours per year).

Indicators show high loss of time resource for Bulgaria and this calls for taking effective measures for reducing the compliance costs with a particular focus on micro- and small enterprises.

When formulating the measures under this strategic objective, efforts should be focused on finding the right balance between attempting to increase budget revenues and avoiding greater burden on businesses.

The basic relationships of compliance costs should be taken into account:

- Micro- and small enterprises have tougher time with high costs;
- The smaller number of rates and exemptions reduces the amount of costs;
- Low cost levels result in higher degree of voluntary compliance;
- Information is the key element and this implies having in place easy to understand regulations.

#### **2. Problems related to compliance costs**

The main problem in measuring the amount of compliance costs for the persons lies in the fact that it is difficult to separate administrative costs as part of compliance costs from the usual costs for the citizens and the businesses. The costs that would not have been incurred in the absence of a statutory obligation for that are regarded as administrative burden. Different administrations generate different administrative burden. In that context, in order to achieve tangible results, efforts need to be focused on identifying specific measures, primarily with regard to the activities which are considered to generate higher levels of administrative burden.

The main focus in reducing the administrative burden should be on creating options for sharing of information between administrations and avoiding obligations for persons to provide information which can be received *ex officio*.

The provision of quality services to clients is essential for avoiding unintentional mistakes. Assisting persons with the questions they have before they submit their documents will prevent unintentional non-compliance and will reduce additional correspondence and other communication with the administration. In recent years, the clients of revenue agencies increasingly seek various forms and variants of e-services. In response to this demand, administration should commit to increasing the provision of services through the use of Internet and mobile applications.

The developments in the countries around the world show that the time for paying taxes is continuously reduced by integrating tax forms, reducing the frequency of compliance and offering e-payment options. Although in Bulgaria the time for paying tax obligations is still high (454 hours per tax payer), tax legislation was amended, effective from the beginning of 2015, to implement new forms of electronic submission of documents and new systems for automatic sharing of information between the institutions.

Out of the measures already implemented, the amendment to TSIPC to enable electronic submission of documents through the use of PIC issued by NRA is assessed as having the most

significant effect on reducing costs for taxable persons. The use of PIC will result in higher use of electronic services, notable reduce the administrative burden and costs for persons and reduce non-conformities and corrections of submitted tax returns. The amendments to CITA which introduce automatic sharing of information aligned the procedures for submission of data under CITA and PITA in case of dissolution of the taxable person.

### **3. Measures and activities designed to attain the strategic objective**

The measures for reducing the compliance costs can be grouped into:

1. Regulatory measures;
2. Relationship with other government measures for reducing administrative costs (“one-stop shop”, e-government, etc.);
3. Implementing quality assurance systems and making available channels for access to information and services;
4. Automatisations and electronisation of services;
5. Meeting deadlines;
6. Educating clients (the business and the citizens) on administrative costs.

With regard to the third group of measures, the need to select the most effective channels for providing services to taxpayers should be highlighted. The full list of options includes:

- On the spot – counters, meetings with persons;
- On paper carrier – letters, leaflets, reports, etc.;
- By phone – call centres, hot lines;
- Online – websites, e-mail, social networks (Facebook, Twitter, Instagram), etc.;
- On air – radio, television;
- Mobile – personal digital assistants (PDA), short message services (SMS), video messages.

Differentiated service channels need to be designed with a focus on modern information and communication technologies in order to respond to clients’ needs, to their preferences and behaviour models with a view to facilitating voluntary compliance.

Effective provision of services implies the use of a balanced mix of all or some of the mentioned communication channels, depending on clients’ needs and preferences. There are three major aspects to be taken into account when building a strategy for the provision of quality services: knowing the services, knowing the channels for access thereto, knowing the clients.

The development of each one of these aspects should start with an analysis of the situation to identify the ways to improve the structure of the channels used for access and attain the objectives set. With a view to better attaining the objectives, clients could be segmented in order to satisfy as accurately as possible the demand for the services of the agencies.

## **PART 4 COORDINATION, MONITORING AND EVALUATION. A SYSTEM OF MONITORING AND EVALUATION INDICATORS**

The monitoring of the measures and activities designed for the implementation of SNS 2015 -2017 is intended to ensure their quality execution within the time limits set.

General monitoring needs to be carried out for the implementation of the Strategy as a whole. It is aimed primarily at ensuring synchronisation and mutual support in implementing the measures and activities planned. The diversity of the measures and activities laid down in the Strategy calls for special monitoring of each one of them.

The monitoring of SNS 2015 - 2017 can be defined as the process of continuous gathering and analysis of information about the implementation of the strategy and the attainment of the objectives and targets set.

Monitoring delivers information which provides the basis for the annual implementation reports on the Strategy. The implementation reports on the Strategy are published in the website of the Ministry of Finance.

The monitoring carried out permits timely adjustments to the measures and to how they are implemented. For longer-term measures which are implemented in several phases, the implementation of each phase could be preceded by monitoring and evaluation of the activities and results carried out and achieved in the previous phases.

As with any public policy, the role of the monitoring and evaluation of the activities and the measures laid down in the Strategy could be identified in several more important aspects:

1. they ensure transparency – the procedures, institutions and information are directly accessible to those concerned and to the public and provide sufficient information for understanding, monitoring and evaluating the measures;

2. they guarantee government's responsibility – the institutions should seek to take account of the interests of all stakeholders in implementing the measures;

3. they create participation mechanism – the business and the citizens are enabled to take part in the decision making on the evaluation and adjustment of the measures set out in the Strategy;

4. they are a tool for reaching an agreement – good governance takes account of and mediates the different interests in order to achieve broad consensus on what is in the community interest and, where possible, to achieve consensus on the policies and procedures for implementation of the measures and attaining the objectives of the Strategy;

5. they contribute to the effectiveness and efficiency of the projects/policies and to building a strategic vision – institutions achieve results which satisfy public needs by using the available resources in the best possible way. The leaders and the community build a broader and longer-term view of good governance and human development and an understanding of what will ensure such development.

Monitoring and evaluation enable formulating and developing the measures and activities included in the Action Plan to the Strategy, by systematically looking for the answer to the following key questions:

1. What is the significance of the effect of the measure for the stakeholders and for attaining the objectives of the Strategy?

2. Are there serious risks to the implementation of the measure or to successfully meeting the targets set?

3. Have unforeseen negative impacts of measure's implementation been identified?

4. Are adjustments necessary and, if yes, what – of the measure or of how it is implemented?

The evaluation indicators should be specific, measurable, effectively, attainable, relevant to the Strategy and time-bound (taking into account the time for implementation of the measure concerned) (SMART). It is not always possible to quantify indicators, the evaluation indicators could sometimes include qualitative assessments or logical assumption.

The result indicators measure the direct and immediate effects of the intervention and provide information about the changes, for example in the quantity and the segment of the persons concerned, the time for fulfilment of the obligations or in the state budget revenues. They are measured in physical units or units of value.

When formulating the result indicators and reporting the outputs of a measure, account should be taken of the principles of:

- *economy* – the extent to which resources have been made available in due time, in appropriate quantity and quality and at the best price;
- *effectiveness* – the extent to which the objectives have been attained;

- *efficiency* – the extent to which the desired effects have been achieved at a reasonable price;
- *sustainability* – the extent to which the benefits continue after the measure was completed;
- *usefulness* – the extent to which its effects were consistent with the needs, problems and issues that had to be met or addressed;
- *continuity* – the extent to which the positive/negative spill over effects on other spheres have been maximised/minimised;
- *spill over effects* – the extent to which the measure’s negative/positive spill over effects have been minimised/maximised;
- *acceptability* – the extent to which stakeholders have accepted the measure as a whole, as well as the tools proposed or used.

The monitoring and control on SNS 2015 - 2017 will contribute to the transparent application and implementation of the Strategy and to updating the objectives, measures and activities laid down therein. The Ministry of Finance is the institution responsible for the direct control and implementation of the Strategy and the Action Plan. Within that responsibility, the Minister of Finance sets up a Strategy Implementation Monitoring Group which includes representatives of the Ministry of Finance, the National Revenue Agency and the Customs Agency. Where appropriate, the Minister of Finance may attract additional Group members.

The monitoring group has the following terms of reference:

1. Monitors the implementation of the Strategy and the Action Plan.
2. Takes part in identifying the evaluation indicators for the Strategy.
3. Requests information regarding the objectives, measures and activities attained and implemented and regarding future actions from the responsible institutions.
4. Organises working meetings and discussions on the implementation of the Strategy;
5. Submits an evaluation report on the implementation of the Strategy with recommendations and proposals to the Minister of Finance on an annual basis.

The Minister of Finance introduces the implementation report on SNS 2015 - 2017, as well as possible recommendations and guidance on the implementation thereof, to the Council of Ministers.

Based on the reports and recommendations, the Strategy can be updated annually.

## **PART 5**

### **RELATIONSHIP OF THE NATIONAL STRATEGY WITH OTHER NATIONAL STRATEGIC DOCUMENTS**

SNS 2015 - 2017 is related to the following national strategic documents:

**1. Convergence Programme of the Republic of Bulgaria 2015 - 2018** – it presents measures and developments addressing the first out of the seven Council recommendations of 8 July 2014 on the 2014 National Reform Programme of Bulgaria, containing the Council Opinion on Bulgaria’s 2014 Convergence Programme. In particular **Country Specific Recommendation 1** is about strengthening the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained; ensuring the capacity of the new fiscal council to fulfil its mandate; implementing a comprehensive tax strategy to strengthen tax collection, tackle the shadow economy and reduce compliance costs.

**2. Government Programme on Stable Development of Bulgaria for the period 2014 - 2018** – it formulates public finance priorities for the collection of revenues.

**3. Europe 2020: National Reform Programme, 2015 update** – it outlines measures addressing Council’s recommendations of 8 July 2014 and describes the progress on the national targets aimed at achieving the five headline EU targets of Europe 2020. The focus in the document is on the implementation of large-scale structural reforms (pension and healthcare

reforms, adoption of a national strategy for improving tax collection, tackling the shadow economy and reducing the compliance costs, and strengthening the independence and the administrative capacity of the energy regulator), as well as other measures addressing the country-specific recommendations.

**4. Medium-term budgetary framework for the period 2016 – 2018** – it outlines the main tax policy priorities in the period 2016-2018 and is oriented towards establishing an effective tax system which ensures macroeconomic and budgetary stability in the medium and in the longer term.

**5. Public Administration Development Strategy, 2014 - 2020** (MD No. 140 / 17.03.2014) – it sets the vision of development of the Bulgarian administration in the next programming period. The main aspects of the strategy include increased productivity of institutions, optimal institutional environment and more efficient use of the limited resources to provide quality public services.

**6. E-Governance Development Strategy 2014 – 2020 in the Republic of Bulgaria** (MD No. 163 / 21 March 2014)

**7. National Development Programme: Bulgaria 2020** (MD No. 1057 / 20.12.2012) – this is the document for the national decisions for growth. It is in line with the commitments of Bulgaria at European and at international level, while at the same time it embodies the aspiration of the state for selection of the national road to progress.

**8. National Strategy for Preventing and Countering Corruption in the Republic of Bulgaria,** (MD No. 230 / 9.04.2015) – it reflects the will and the vision of the government for preventing and countering corruption. The strategy is based on the understanding that corruption is a major threat to democracy in Bulgaria. It destroys the functionality of law in the state, undermines citizens' confidence in democratic values and hinders economic development.

**9. Crime Prevention Strategy (2012 - 2020)** - MD No. 325 / 25.04.2012 – for building a comprehensive and sustainable regulatory and institutional basis for successful implementation of the government crime prevention policy.

**10. Third Action Plan for reducing the administrative burden of selected legislation for the business by 30 per cent in the period 2015 - 2017** – for fulfilment of the national commitments under Commission's Action Programme for reducing the unnecessary administrative burden of existing regulation in the EU.